

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001**

1998 Reports*

CareFirst, Inc. and Affiliates – Consolidated GAAP

Maryland

CareFirst of Maryland, Inc. and Subsidiaries – Consolidated GAAP

CFS Health Group, Inc. and Subsidiaries – Consolidated GAAP

Patuxent Medical Group, Inc. – GAAP

Willse & Associates, Inc. – GAAP

Potomac Physicians, P.A. – GAAP

Willse & Associates, Inc. – SAS 70 Review

CareFirst of Maryland, Inc. and Subsidiaries – Statutory Basis

Free State Health Plan, Inc. – Statutory Basis

Delmarva Health Plan, Inc. – Statutory Basis

Washington, D.C.

Group Hospitalization and Medical Services, Inc. and Subsidiaries Consolidated GAAP

CareFirst BlueChoice, Inc. (formerly CapitalCare, Inc.) – GAAP

National Capital Administrative Services, Inc. and Subsidiary – Consolidated GAAP

National Capital Insurance Agency, Inc. – GAAP

Group Hospitalization and Medical Services, Inc. and Subsidiaries – Statutory Basis

CareFirst BlueChoice, Inc. (formerly CapitalCare, Inc.) – Statutory Basis

** Includes balance sheet and statements of operations and cash flows.*

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001

Section 4.6(a)(ii) Reserves

At December 31, 2000, Preferred Health Network of Maryland, Inc. ("PHN") did not meet the Maryland Insurance Administration reserve requirements. However, PHN expects to use its 2001 earnings to increase its reserves to a level above the statutory minimum. If PHN does not fund its reserves to a level above the statutory minimum from its earnings, then CareFirst is committed to fund the reserves by the amount necessary to meet the reserve statutory minimum.

↑
Please
quantify

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001

Section 4.6(a)(iii) Reserves

PHN did not meet the reserve requirements of BCBSA at December 31, 2000; however, it met such requirements as of March 2001.

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001**

Section 4.7(b) Taxes

In 1993, BCBS-NCA overstated its losses by \$39,183,626 on its federal income tax filing. In 1994, BCBS-NCA corrected its error by reducing the net operating loss carry-forward by the same amount on a subsequently filed income tax statement.

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001

Section 4.7(c) Taxes

On October 30, 2001, BCBS-MD entered into a settlement with the State of Maryland Sales & Use Tax Division, regarding an audit for the period of February 1, 1997 to January 31, 2001, in amount of \$259,678.10, which amount includes \$60,930.67 of interest BCBS-MD did not have to pay any penalties, which were waived because of the State of Maryland recent tax amnesty program.

The State of Maryland Sales & Use Tax Division notified BCBS-MD that Willse & Associates, Inc. will be audited for the period November 1, 1997 to October 31, 2001. BCBS-MD and Willse are compiling the required information for this audit.

Can you give
any indication
on issues to be
raised or amounts
at risk?

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001

Provide
copies
of agreements

Section 4.8 Absence of Certain Changes or Events

(a) + separate Section 4.8(b)

We would not
expect a 4.8(c)

1. In the first quarter of 2001, Free State Health Plan sold its pharmacy operations for \$2,979,000 to a non-affiliated third party.
2. BCBSD sold Allnation Insurance Company and Allnation Global Insurance Agency, Inc. to Barbados Life Assurance Society on October 31, 2001. BCBSD also will dissolve Allnation Delaware Insurance Agency, Inc. no later than December 31, 2001.
3. Managed Care Re-Positioning: As a result of CareFirst's Managed Care Re-Positioning initiatives, Patuxent Medical Group and Potomac Physicians, P.A. are changing from a capitated reimbursement to a fee-for-service model. As a result of this effort, Free State Health Plan (a capitated model HMO) likely will merge into CareFirst BlueChoice, Inc. (a fee-for-service model HMO), which will become CareFirst's regional HMO. In the process, Free State and Delmarva likely will exit their individual and small group market segments in Maryland and Delaware and give up Delmarva's certificate of authority to operate in Delaware. CareFirst expects to consummate all of its Managed Care Repositioning initiatives referred to herein by December 31, 2002. In connection with the repositioning, Free State Health Plan has informed the Office of Personnel Management ("OPM") that it will no longer participate in the Federal Employees Health Benefits Program and CareFirst BlueChoice has requested from OPM a change from community rating to experience rating.

CareFirst BlueChoice currently has approximately 4,000 subscribers in an area in Virginia in which Trigon Healthcare, Inc. holds the exclusive BCBSA right to use of the "Blue" brand. BCBS-NCA has applied to the appropriate Virginia regulatory agency for approval of a license to operate a new health maintenance organization in Virginia without the "Blue" brand in order to service the CareFirst BlueChoice subscribers.

4. BCBS-NCA expects to enter into a lease for office space and relocate the operations currently performed at 550 12th Street, SW, Washington, D.C. into such space. *rep speaks as of today*
5. BCBS-NCA has agreed to pledge \$1.65 million as collateral to secure obligations to BCS Life Insurance Co. in connection with long term care contracts issued by BCBS-NCA to members of B'nai Brith and administered by BCS Life Insurance Co. *If necessary, put on Schedule 6.1 (but give more details.)*

6. On September 28, 2001, BCBS-MD received a draft report from Carmichael, Brasher, Tuvell and Company challenging \$4 million in Medicare claimed costs for fiscal years 1996-1999. BCBS-MD estimates the risk of loss to be \$637,000 and has established a \$627,000 reserve.

material?

Nothing on this Schedule 4.8(a) shall be considered to be an exception to Section [4.8(b) or] (c).

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001

*Can a brief
description of
each litigation
be provided?*

Section 4.9(b) Litigation: Judicial Proceedings

Case Name/Matter

1. BCBS-NCA v. OPM Final Decisions 149, 150 & 151
2. William and Judith Moore, individually and as parents and guardians of Alistaire Moore v. CapitalCare, Inc. (currently named CareFirst BlueChoice, Inc.) & BCBS-NCA
3. U.S. v. BCBS-NCA
4. Barbara M. Rubin v. BCBS-NCA
5. Boone v. CareFirst and John Doe Cleaning Vendor
6. Dehn v. BCBS-MD
7. Herbert Martello v. BCBS-MD and EDS
8. ElderHealth v. FSHP
9. Virginia Academy v. BCBS-NCA
10. McKandes v. BCBS-NCA and CapitalCare, Inc. (currently named CareFirst BlueChoice, Inc.)
11. American Radiology Services v. Patuxent Medical Group, Inc. and Free State Health Plan, Inc.
12. Jane and John Doe v. BCBS-MD
13. Susan Doe v. BCBS-MD
14. Alicia Smith v. Willse & Associates, Inc.
15. DHMH and Baltimore Medical Services v. FSHP
16. Dahne v. BCBS-MD
17. Larry Watts v. BCBS-MD

CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001

Add

Section 4.10(b) Compliance with Law

GHMSI Companies Inc. (MD, VA)
Capital Area Service Co (DC)
Access America (DC, MA)

See Section 4.4(a) disclosure schedule for Insurance Commissioner Orders.

MATERIAL PERMITS, LICENSES AND APPROVALS

Maryland Certificate of Authority - to transact
the business of a Health Maintenance
Organization

Maryland Insurance Administration

CareFirst BlueChoice, Inc.

DC Certificate of Authority - to transact the
business of a Health Maintenance Organization

DC Department of Insurance and
Securities Regulation

CareFirst BlueChoice, Inc.

Virginia License - to transact the business of a
Health Maintenance Organization and operate
one or more MCHIP

Commonwealth of Virginia, State
Corporation Commission - Bureau of
Insurance

CareFirst BlueChoice, Inc.

Maryland Certificate of Authority - to transact
the business of a Non-Profit Health Service Plan

Maryland Insurance Administration

Group Hospitalization and
Medical Services, Inc.

DC Consent Order - granting authority to
transact the business of a Hospital Services
Corporation

DC Department of Insurance and
Securities Regulation

Group Hospitalization and
Medical Services, Inc.

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001**

Virginia License - to transact the business of a Health Services Plan and operate one or more MCHIP	Commonwealth of Virginia, State Corporation Commission - Bureau of Insurance	Group Hospitalization and Medical Services, Inc.
DC Certificate of Authority - to transact the business of a Health Maintenance Organization	DC Department of Insurance and Securities Regulation	Free State Health Plan, Inc.
Maryland Certificate of Authority - to transact the business of a Health Maintenance Organization	Maryland Insurance Administration	Free State Health Plan, Inc.
Virginia License - to transact the business of a Life and Health Insurance Agent	Commonwealth of Virginia, State Corporation Commission - Bureau of Insurance	National Capital Insurance Agency, Inc.
Maryland Certificate of Authority - to transact the business of a Health Maintenance Organization	Maryland Insurance Administration	Delmarva Health Plan, Inc.
Delaware Certificate of Authority - to transact the business of a Health Maintenance Organization	Delaware Insurance Department	Delmarva Health Plan, Inc.
Private Review Agency License	Maryland Insurance Administration	Delmarva Health Plan, Inc.
Maryland Certificate of Authority - to transact the business of a Non-Profit Health Service Plan	Maryland Insurance Administration	FirstCare, Inc.

*what about
DE, DC, MD?*

**CareFirst Disclosure Schedules
Agreement and Plan of Merger
November __, 2001**

Maryland Certificate of Authority - to transact the business of a Non-Profit Health Service Plan	Maryland Insurance Administration	CareFirst of Maryland, Inc.
Registered as Physician's Practice Group	Maryland Insurance Administration	Patuxent Medical Group, Inc.
Private Review Agency License	Maryland Insurance Administration	Patuxent Medical Group, Inc.
Registered as Physician's Practice Group	Maryland Insurance Administration	Potomac Physicians, PA
Private Review Agency License	Maryland Insurance Administration	Potomac Physicians, PA
Delaware License - to transact the business of a Non-Profit Health Service Plan	Delaware Insurance Department	BlueCross BlueShield of Delaware Inc.
Maryland Certificate of Authority - to transact the business of a Non-Profit Health Service Plan	Maryland Insurance Administration	CareFirst, Inc.